UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

TEAMSTERS LOCAL 807 LABOR MANAGEMENT PENSION FUND, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. MBIA INC., GARY C. DUNTON, C. EDWARD CHAPLIN and JOSEPH W. BROWN, Defendants.	Civil Action No. 08-CV-1845 CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS DEMAND FOR JURY TRIAL

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of MBIA Inc. ("MBIA" or the "Company") between October 26, 2006 and January 9, 2008, inclusive (the "Class Period"), against MBIA and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 ("1934 Act").

2. MBIA, through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA is headquartered in Armonk, New York.

3. MBIA is a monoline insurer ("monoline"). Monolines such as MBIA insure bonds that have been issued by other entities. MBIA purports to leverage its AAA financial strength rating to guarantee the timely repayment of bond principal and interest of an issuer in the event the issuer defaults, thus allowing the debt issued to get the highest possible rating. MBIA's financial guarantee is designed to protect investors in the event of securities default.

4. Traditionally MBIA focused mainly on conservative municipal bonds. In recent years, lured by larger profits and higher growth rates, MBIA began writing insurance on collateralized debt obligations ("CDOs"), including CDOs backed by subprime mortgages to higher risk borrowers. CDOs are a type of asset-backed security and structured credit product. CDOs repackage bonds, mortgages and other assets into new securities and then use the income from the underlying debt to pay investors. CDOs are secured or backed by a pool of bonds, loans or other assets, where investors buy slices classified by varying levels of debt or credit risk.

5. During the Class Period, defendants issued materially false and misleading statements regarding the Company's business and financial results related to its insurance coverage on CDO contracts. As a result of defendants' false statements, MBIA stock traded at artificially inflated prices during the Class Period, reaching its all-time high of $73.31 per share in December 2006.

6. On October 25, 2007, the Company issued a press release entitled "MBIA Inc. Reports 39 Percent Decrease in Nine Months Net Income Per Share; Operating Income Per Share Down 2 Percent for the Quarter." The release stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, today reported that net income per share for the first nine months of 2007 was $2.84, compared with $4.67 during the same period of 2006. In the first nine months of 2007, net income was $373.8 million, down 41 percent compared with $638.3 million in the same period last year.
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> The decline was due to a pre-tax net loss of $352.4 million, or $1.80 per share, that the Company recorded in the third quarter on financial instruments at fair value ("marked-to-market") and foreign exchange. The loss was a consequence of wider spreads affecting the valuation of the Company's structured credit derivatives portfolio. Compared with the previous quarter, spreads widened significantly on Commercial Mortgage-Backed Securities (CMBS) collateral and on other asset-backed collateral in the Company's structured credit derivatives portfolio. The Company believes that the "mark-to-market" loss does not reflect material credit impairment.
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> Operating income per share, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), for the first nine months of 2007 was $4.57 compared with $4.50 in 2006. After-tax operating income for the first nine months of 2007 was down 2 percent to $600.7 million from $614.5 million in the same period of 2006. Excluding accelerated income from refunded issues, operating income per share was $4.09, up 4 percent in the first nine months of the year from $3.94 in the same period of 2006.
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> For the third quarter of 2007, net loss per share was $0.29 compared with net income per share of $1.59 in the third quarter of 2006. Net loss for the third quarter of 2007 was $36.6 million compared with net income of $217.9 million in the same period last year.
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> Operating income per share was $1.52 for the third quarter of 2007, compared with $1.55 for the third quarter of 2006. After-tax operating income for the third quarter of 2007 was down 9 percent to $192.6 million from $212.4 million in the third quarter of 2006. Excluding accelerated income from refunded issues, operating income per share in the third quarter increased to $1.43 from the prior year's third quarter at $1.37.
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> Gary Dunton, MBIA Chairman and Chief Executive Officer, said, "Spreads widened significantly across the market in the third quarter and caused our insured credit derivatives portfolio to generate a large 'mark-to-market' loss, which we do

not believe accurately reflects the economics of our business. The ‘mark-to-market’ loss is not an actual loss, nor is it indicative of future claims. We remain comfortable that our insured credit derivatives portfolio will not result in material credit losses. More important, wider spreads contributed to a substantially better pricing environment for our insurance and asset/liability management products. From an Adjusted Direct Premium production standpoint, the third quarter was outstanding - the Company’s second best quarter ever and the best quarter for our structured finance business. Pricing was strong across many sectors, and the credit quality of our new business was very high.”

Insurance Operations

For the first nine months of 2007, Adjusted Direct Premium (ADP), a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), grew 103 percent to $1,234.5 million from $609.6 million in the same period of 2006. For the third quarter, ADP was $514.2 million, an increase of 145 percent compared with $210.1 million in the third quarter of 2006.

* * *

MBIA’s fees and reimbursements were down 33 percent for the first nine months of 2007 to $19.7 million from $29.2 million during the first nine months of 2006. Fees and reimbursements for the third quarter of 2007 were $4.9 million, down 71 percent compared with $17.0 million for the third quarter of 2006. Last year’s third quarter benefited from two large expense reimbursements.

For the first nine months of the year, total insurance expenses remained level with the same period of 2006, at $273.9 million compared with $274.5 million in the same period of 2006. In the third quarter of 2007, total insurance expenses decreased 9 percent to $88.3 million from $96.8 million in the third quarter of 2006, and is primarily due to lower operating expenses.

Gross insurance expenses, which are prior to any expense deferrals, were down 3 percent for the first nine months of the year to $183.5 million from $189.0 million for the first nine months of 2006. Gross insurance expenses for the quarter were down 6 percent to $59.4 million from $63.4 million for the same period last year.

The Company incurred $63.7 million in loss and loss adjustment expenses (LAE) in the first nine months of 2007, a 5 percent increase over the $60.8 million in last year’s first nine months, which corresponds to the growth in scheduled premiums earned. The Company incurred $22.2 million in loss and LAE in the third quarter of 2007 compared with $20.4 million for the prior year’s third quarter. Loss and LAE incurred is based on the Company’s formula of reserving 12 percent of scheduled premiums earned. During the third quarter of 2007, the net effect of MBIA’s formula-based loss reserving combined with its case loss reserve activity resulted in a $10.5 million increase to its unallocated loss reserve. The Company’s unallocated

loss reserve was $213.7 million at September 30, 2007, level with $213.3 million at December 31, 2006.

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Most of the third quarter's $352.4 million loss is attributable to MBIA's insured credit derivatives portfolio. When MBIA writes credit protection in the form of a credit default swap, the Company accounts for the transaction under the requirements of FAS 133, "Accounting for Derivative Instruments and Hedging Activities." Under FAS 133, these transactions must be "marked-to-market" and the change in fair value recorded in the Company's income statement. The majority of these credit default swaps provide guarantees for structured finance transactions with underlying collateral of commercial real estate securities (structured CMBS pools) and CDOs backed by various assets including residential mortgage-backed securities (RMBS), other asset-backed securities, corporate bonds and loans. These transactions are usually underwritten at or beyond a Triple-A shadow rating level. With the recent turbulence in the structured finance markets, MBIA's third quarter "mark-to-market" of its structured credit derivatives portfolio resulted in a $342.1 million pre-tax loss. The drivers were significant increases in spreads on CMBS collateral and, to a lesser extent, spread increases on other asset-backed and corporate collateral including RMBS in multi-sector CDOs. The Company believes there has been no material credit deterioration in this portfolio and, therefore, the "mark-to-market" is not a good indication of future claims. These derivative contracts have similar terms and conditions to the Company's insurance contracts, and the Company is not required to post collateral to a counterparty, thereby avoiding the liquidity risks more typical of the standard derivative market. MBIA manages its structured credit derivatives portfolio the way it manages its insurance contracts, including the same monitoring process to detect impairment, and would disclose any credit impairment recorded as part of the "mark-to-market" on these positions. Since MBIA insures these contracts to scheduled maturity and has experienced no material credit deterioration, it expects that the current negative "mark-to-market" will be reversed over time.

Operating Return On Equity

MBIA's operating return on equity, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), was 11.8 percent at September 30, 2007 and 12.6 percent at September 30, 2006.

Book Value and Adjusted Book Value

MBIA's book value per share at the end of the first nine months of 2007 decreased to $52.09 from $53.43 at December 31, 2006, which includes a $1.77 impact from the third quarter's "mark-to-market" result from the Company's structured credit derivatives portfolio. Adjusted book value (ABV) per share at September 30, 2007 rose 6 percent to $80.08 from $75.72 at December 31, 2006. ABV is a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures).

> Share Repurchase
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> During the third quarter of 2007, on a trade date basis, the Company repurchased approximately 1.0 million shares at an average price of $61.23. Approximately $340 million remains available under the Company's $1 billion share buyback program, which was authorized by the Company's board of directors in February 2007.

7. Upon this disclosure on October 25, 2007, MBIA's stock dropped $8.20 per share to close at $46.99 per share, a one-day decline of 15% on volume of 17.3 million shares, several times the average three-month volume.

8. However, notwithstanding this decline, MBIA's stock price continued to be artificially inflated due to defendants' failure to reveal the extent of its exposure to CDOs.

9. On December 5, 2007, Moody's Investors Service made the following statement:

> "With regard to MBIA, additional analysis of its direct RMBS portfolio leads Moody's to believe the guarantor is at greater risk of exhibiting a capital shortfall than previously communicated; we now consider this somewhat likely . . . ."

10. On this news, MBIA shares fell 15%.

11. On December 6, 2007, the Company responded to Moody's announcement in a press release entitled "MBIA Responds to Moody's Announcement," which stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, today issued the following statement in response to the announcement issued by Moody's Investors Service on Wednesday, December 5.
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> "We note Moody's announcement concerning financial guarantors. Contrary to some press reports, Moody's has not taken any rating actions with respect to MBIA. Moody's indicated that, similar to several other monoline insurers, MBIA is somewhat likely to require additional capital. The Company believes that maintaining a strong balance sheet and an adequate capital cushion is prudent. Therefore, the Company has been pursuing capital contingency plans, even in the absence of any immediate rating agency requirements."

12. On December 13, 2007, the Company announced a delay in its investor conference call in a release entitled "MBIA Investor Conference Call Will Not Be Held on Friday, December 14, Due to Pending Rating Agency Reviews." The release stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, today said that in light of the fact that reviews by all three rating agencies are not expected to be completed by Friday, December 14, 2007, the Company has decided not to schedule a conference call on that day.

13. On December 14, 2007, the Company issued a press release entitled "Moody's Affirms Triple-A Rating for MBIA Insurance Corporation and Changes Outlook to Negative Pending Capital Plan Implementation." The release stated in part:

> MBIA Inc. today announced that Moody's has affirmed the Triple-A insurance financial strength ratings for MBIA Insurance Corporation. The Company also announced that Moody's changed its Outlook for MBIA Insurance Corporation to Negative from Stable pending implementation of the commitment to invest $1 billion by Warburg Pincus previously announced and other elements of its total capital management plan.
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> Gary Dunton, MBIA Chairman and Chief Executive Officer said, "We are pleased with Moody's affirmation of our Triple-A ratings, and we are confident that we will promptly implement the remaining components of the capital plan presented to Moody's and return to Stable Outlook."

14. On December 19, 2007, the Company issued a press release entitled "Standard & Poor's Affirms Triple-A Ratings for MBIA Insurance Corporation and Changes Outlook to Negative." The release stated in part:

> MBIA Inc. today announced that Standard & Poor's Ratings Services has affirmed the Triple-A insurance financial strength ratings for MBIA Insurance Corporation. The Company also announced that Standard & Poor's changed its Outlook for MBIA Inc. and MBIA Insurance Corporation to Negative from Stable.
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> Gary Dunton, MBIA Chairman and Chief Executive Officer said, "We are pleased with Standard & Poor's affirmation of our Triple-A ratings as we continue to make progress towards the implementation of a capital management plan during the first quarter of 2008, including the consummation of the Warburg Pincus commitment to invest up to $1 billion that will further enhance our financial resources. While we recognize there is uncertainty in the mortgage and housing markets, we are confident that we will successfully manage through this challenging period, while growing the business profitably, and return to Stable Outlook."
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> The Company has supplemented the listing of its exposure to CDOs that include RMBS as of September 30, 2007 to make it consistent with the CDOs that were included in Standard & Poor's analysis and the listing has been posted on its Web site.

15. The referenced information on the Company's web site showed CDO-squared exposure of $30.6 billion.

16. *Forbes* described "MBIA's Startling Exposure Disclosure" as:

> Just when it seemed as if the news couldn't get any worse for bond insurers, it did.
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> MBIA lost a quarter of its already-diminished value on Thursday after the firm disclosed it had insured $8.1 billion in collateralized debt obligations backed by a combination of other CDOs and mortgages, commonly referred to as "CDO-squared" and seen as among the riskiest part of an investment portfolio.
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> Making matters worse, $5.1 billion of that insurance was written in 2006 and 2007, a time when the problems with the subprime borrowers went into high gear. The disclosure came as part of an updated list of the Armonk, N.Y.-based company's CDO exposure, which totaled $30.6 billion.
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> CDOs are securities backed by pools of bonds, loans, and other assets. The pools are divided into various classes that seek to offer differing degrees of risk to investors. But the value of CDOs has been tumbling thanks to rising defaults on U.S. subprime mortgages, many of which were made to noncreditworthy borrowers at the end of an American housing boom. With many banks and brokerage houses having exposure to CDOs, investors have become petrified of lending money to anybody for fear that a major failure could lead to a chain of defaults.
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> Traditionally bond insurers did not provide backing for CDOs, which are among the riskiest debt instruments because of their subprime exposure.
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> The timing of the MBIA announcement, a day after a smaller insurer was downgraded to junk-bond status and essentially removed from the market, could hardly have been worse. "It's surprising," said Piper Jaffray analyst Michael Grasher, "considering others have disclosed their CDO-squared for a couple of months now."

17. This shocking information caused MBIA's stock price to decline to as low as $18.84 per share before closing at $19.95 per share on December 20, 2007, a one-day decline of 26%, on volume of 52.3 million shares.

18. On December 21, 2007, Fitch placed the AA ratings of MBIA and AAA ratings of MBIA Insurance Corporation and its subsidiaries on Rating Watch Negative.

19. Then, on January 9, 2008, the Company issued a press release entitled "MBIA Announces Comprehensive Plan to Strengthen Capital; Updates Estimates of Fourth Quarter Loss Reserves, Changes to Mark-to-Market Valuations and Provides Information on Related CDO Impairments; Announces Dividend Reduction." The release stated in part:

> In conjunction with its plan to strengthen its capital base, MBIA Inc. (the "Company"), the holding company for MBIA Insurance Corporation ("MBIA"), today:
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> - released details of its comprehensive capital strengthening plan;
> - updated information relating to estimated increases to case loss activity on its prime, second-lien mortgage-related exposure and estimated increases to unallocated loss reserves;
> - updated information relating to the estimated change in fair value of insured credit derivatives ("mark-to-market") and provided information on impairments of certain insured credit derivatives; and
> - announced a reduction in its quarterly shareholder dividend to 13 cents per share from its most recent quarterly shareholder dividend rate of 34 cents per share.
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> *Capital Strengthening Plan*: The key elements of MBIA's plan to further strengthen its capital position include:
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> - The Warburg Pincus investment announced on December 10, 2007. As announced, Warburg Pincus has committed to invest $500 million in common equity at $31 per share and to backstop a $500 million rights offering to the Company's existing shareholders. Warburg Pincus will also receive warrants to purchase additional shares at $40 per share. The Warburg Pincus investment is proceeding according to plan, with the common equity investment currently expected to close in January 2008 and the rights offering expected to close in February 2008. Refer to the Company's Current Report on Form 8-K, filed on December 13, 2007, for a copy of the Warburg Pincus Investment Agreement.
> - $1 billion of debt, which is expected to be treated as capital of the insurance company for rating agency purposes.
> - The net release of capital that supports amortizing and maturing transactions is expected to amount to $300 million to $500 million in the fourth quarter of 2007.

- The shareholder dividend reduction announced today is expected to preserve approximately $80 million per year.

- The purchase of reinsurance covering a diversified portion of MBIA's portfolio, which is expected to reduce MBIA's capital requirements by $50 million to $150 million, is expected to occur in the near term.

Upon successful completion of its capital management plan, the Company expects to meet or exceed the rating agencies' current capital requirements for MBIA to retain its Triple-A ratings. Based on discussions with the rating agencies and the commentary they have released to the market, the Company believes that the successful implementation of this capital plan will result in a robust capital position that will lead to stable ratings.

Estimate of Incurred Losses: Consistent with its previously released estimates (December 10, 2007), MBIA estimates that it will incur a total of $737 million in loss and loss adjustment expenses for the fourth quarter of 2007. These expenses consist of fourth quarter case loss activity of approximately $614 million and $123 million in unallocated loss reserve activity. The approximately $614 million case loss activity is principally related to MBIA's insured securitizations of prime home equity lines of credit and prime closed-end second-lien mortgages. The estimate of case loss activity reflects MBIA's best estimate of probable and estimable losses. The ultimate amount of such incurred losses might differ from the above estimate.

MBIA's $214 million total unallocated loss reserves at September 30, 2007 will increase with the addition of approximately $23 million, reflecting the regular quarterly addition of 12 percent of scheduled earned premiums, and the special addition of $100 million to reflect MBIA's estimate of losses that are probable to occur as a result of the potential for adverse developments in the real estate market related to prime, second-lien mortgage exposure, but which have not yet been specifically identified.

Mark-to-Market Estimate (including CDO-squared credit impairment): As previously disclosed, MBIA has observed significant widening of market spreads of collateral underlying certain MBIA-insured CDO tranches in the fourth quarter of 2007. The non-cash pre-tax change in fair value of insured credit derivatives ("mark-to-market"), under generally accepted accounting principles, between September 30, 2007 and December 31, 2007 is estimated to be a loss of $3.3 billion. The non-cash after-tax mark-to-market loss is estimated to be $2.1 billion. These mark-to-market estimates are preliminary and are subject to adjustment, as MBIA is finalizing its evaluation and analysis for the quarter ending December 31, 2007. Of this $3.3 billion mark-to-market loss, approximately $200 million represents estimated credit impairment related to three CDO-squared transactions that MBIA expects to incur actual claims in the future. However, as previously stated, MBIA continues to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of credit impairment, the cumulative marks will net to zero over the remaining life of the insured credit derivatives. The mark-to-market

also does not affect rating agency evaluations of MBIA's capital adequacy. The mark-to-market amount disclosed above reflects a refinement to MBIA's valuation modeling techniques that was implemented in the fourth quarter. Specifically, in light of extraordinary widening of the market spreads for the asset-backed security (ABS) portion of the collateral underlying certain insured CDO tranches, for purposes of its valuation model, MBIA revised its approach and treated that ABS collateral as if it were in default.

Change in Dividend: The Company also announced that its Board of Directors has authorized a revised shareholder dividend policy which will reduce quarterly shareholder dividends from $.34 per share to $.13 per share. The dividend reduction is expected to preserve approximately $80 million in capital per year.

MBIA Chairman and CEO Gary C. Dunton said, "We are committed to the successful implementation of this comprehensive plan to significantly strengthen our capital position and secure our Triple-A ratings without qualification. We are confident that the additional capital, together with the steady cash flows generated by our large embedded book of business and the opportunity to grow our business profitably in the current market environment, will enable us to continue to serve the needs of our marketplace, and build long-term value for our shareholders."

MBIA's Chief Financial Officer, C. Edward (Chuck) Chaplin commented, "We believe that the outlined capital plan allows MBIA to meet its obligations, support our customers and continue profitable growth going forward. While the volatility in the mortgage market and non-cash GAAP accounting standards will negatively impact our financial results this quarter, we are quite enthusiastic about future prospects." Speaking to the announced dividend reduction, Mr. Chaplin added, "The announced change in our dividend rate significantly enhances our financial flexibility."

Commenting on the announced initiatives, David Coulter, Managing Director at Warburg Pincus, stated, "Warburg Pincus is pleased by the announced capital strengthening plan and believes that the plan will further affirm MBIA's position as the leader in the financial guarantee insurance industry. Our investment in MBIA is proceeding according to plan with our equity investment expected to close later this month."

20. On this news, MBIA's stock price to decline to as low as $11.11 per share before closing at $13.40 per share on January 9, 2008, on volume of 32 million shares, a two-day decline of 24%.

21. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company lacked requisite internal controls to ensure that the Company's underwriting standards and its internal rating system for its CDO contracts were adequate, and, as a result, the Company's projections and reported results issued during the Class Period were based upon defective assumptions and/or manipulated facts.

(b) The Company concealed its exposure to CDOs containing subprime debt and concealed some $30.6 billion in CDO exposure.

(c) The Company failed to engage in proper due diligence in writing its financial guarantees for its CDO contracts and as such it failed to detect the improper appraisal practices being engaged in by its originators or issuers.

(d) The Company's financial statements were materially misstated due to its failure to properly account for its mark-to-market losses.

(e) Given the deterioration and the increased volatility in the mortgage market, the Company would be forced to tighten its underwriting standards related to its asset-backed securities ("ABS"), which would have a direct material negative impact on its premium production going forward.

(f) The Company had far greater exposure to anticipated losses and defaults related to its CDO contracts containing subprime loans, including even highly rated CDOs, than it had previously disclosed.

(g) The Company had far greater exposure to a potential ratings downgrade from one of the credit ratings agencies than it had previously disclosed.

(h) Defendants' statements about the Company's selective underwriting practices during the 2005-2007 time frame related to its CDOs backed by subprime assets were patently false – the Company's underwriting standards were aggressive and completely inadequate.

22. As a result of defendants' false statements, MBIA's stock price traded at inflated levels during the Class Period, allowing defendants to reap some $27 million in compensation for 2006. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 70% from their Class Period and all time high of $73.31 per share in December 2006.

JURISDICTION AND VENUE

23. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

24. (a) Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

(b) MBIA's principal executive offices are located at 113 King Street, Armonk, New York.

PARTIES

25. Plaintiff Teamsters Local 807 Labor Management Pension Fund purchased MBIA common stock as described in the attached certification and was damaged thereby.

26. Defendant MBIA, through its subsidiaries, provides financial guarantee insurance and credit protection products, as well as investment management services to public finance and structured finance issuers and investors, and capital market participants worldwide. It operates through two segments: Insurance and Investment Management Services. MBIA stock trades under the symbol MBI on the New York Stock Exchange.

27. Defendant Gary C. Dunton ("Dunton") is, and at all relevant times, was Chief Executive Officer ("CEO"), President and a director of the Company, and has been Chairman since May 2007. During the Class Period, Dunton was responsible for the Company's false financial statements and reaped compensation of $14.3 million in 2006 due in part to the favorable, but false,

portrayal of the Company's business. Defendant Dunton also disposed of $4.3 million worth of his MBIA stock during the Class Period while the stock was artificially inflated.

28. Defendant C. Edward Chaplin ("Chaplin") is, and at all relevant times, was Vice Chairman and Chief Financial Officer ("CFO") of the Company. During the Class Period, Chaplin was responsible for the Company's false financial statements and reaped compensation of $2.0 million in 2006 due in part to the favorable, but false, portrayal of the Company's business.

29. Defendant Joseph W. Brown ("Brown") was, at relevant times, Executive Chairman of MBIA. During the Class Period, Brown was responsible for the Company's false financial statements and reaped compensation of $11.6 million in 2006 due in part to the favorable, but false, portrayal of the Company's business. Defendant Brown also disposed of $5.2 million worth of his MBIA stock during the Class Period while the stock was artificially inflated.

30. Defendants Dunton, Chaplin and Brown (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of MBIA's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶33-37 and 42-45.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

31. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about MBIA. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of MBIA common stock was a success, as it: (i) deceived the investing public regarding MBIA's prospects and business; (ii) artificially inflated the price of MBIA common stock; (iii) allowed defendants Dunton, Chaplin and Brown to receive over $27 million in compensation while MBIA stock traded at artificially inflated prices; (iv) allowed certain of the defendants to reap over $9.6 million in insider selling proceeds; and (v) caused plaintiff and other members of the Class to purchase MBIA common stock at inflated prices.

BACKGROUND

32. MBIA, through its subsidiaries, provides financial guarantee insurance and credit protection products, as well as investment management services to public finance and structured finance issuers and investors, and capital market participants worldwide. It operates through two segments: Insurance and Investment Management Services. The Insurance segment issues financial guarantees for municipal bonds, asset-backed and mortgage-backed securities, investor-owned utility bonds, bonds backed by publicly or privately funded public-purpose projects, bonds issued by sovereign and sub-sovereign entities, obligations collateralized by diverse pools of corporate loans, and pools of corporate and asset-backed bonds in the new issue and secondary markets. It also insures credit default swaps on pools of collateral, as well as provides asset/liability products, which include investment agreements and medium-term notes not related to the conduit programs; advisory services, which consist of third-party and related-party fee-based asset management; and conduit programs. The Investment Management Services segment offers cash management, discretionary asset management, and fund administration services, as well as investment agreement, medium-term note, and commercial paper programs related to funding assets for third-party clients and for

investment purposes. Its products and services are provided to the public, not-for-profit, and corporate sectors.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

33. On October 26, 2006, the Company issued a press release entitled "MBIA Inc. Reports 22 Percent Increase in Nine Months Net Income Per Share; Operating Income Per Share up 8 Percent." The release stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, reported today that net income per share for the first nine months of 2006 increased 22 percent to $4.67, compared to $3.84 in the same period of 2005. Net income for the first nine months was $638.3 million, up 21 percent compared to $528.3 million in the same period last year.
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> The increase was largely due to a favorable comparison with the same period of 2005, when results were impacted by a one-time, pre-tax accrual of $75 million made in the third quarter, or $0.52 per share on an after-tax basis, for the total amount that the Company estimated it will pay in connection with previously announced investigations by the Securities and Exchange Commission, the New York Attorney General's Office and the New York State Insurance Department.
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> For the first nine months of 2006, operating income per share, which excludes the effects of net realized gains and losses, net gains and losses on derivative instruments and foreign exchange, accruals for penalties and disgorgement, and income and losses from discontinued operations, increased 8 percent to $4.50 from $4.18 in the first nine months of 2005. Excluding refundings, nine month 2006 operating income per share rose 5 percent to $3.94 from $3.75 in the same period of 2005.
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> MBIA has signed a letter of intent to sell its MuniServices operations and the business is now being presented as a discontinued operation for financial reporting purposes.
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> In the third quarter of 2006, net income per share increased 53 percent to $1.59 from $1.04 during the same period of 2005. Net income for the third quarter was $217.9 million, up 54 percent, compared with $141.8 million in the same period last year. Current results reflect a favorable comparison with the third quarter of 2005, when the Company made its $75 million settlement-related accrual.

For the third quarter of 2006, operating income per share increased 12 percent to $1.55 from $1.39 in the third quarter of 2005. Excluding refundings, third quarter 2006 operating income per share rose 9 percent to $1.37 from $1.26 during the same period of 2005.

Gary Dunton, MBIA Chief Executive Officer, said, "While market conditions remain challenging, we held to our underwriting and pricing disciplines and were pleased with the quality of transactions that we insured. Despite continuing tight credit spreads and a very benign credit risk environment, there continues to be steady demand for our insurance and investment management products."

Insurance Operations

Adjusted direct premiums (ADP), a non-GAAP measure, which includes both upfront premiums written and the present value of estimated future installment premiums for new business writings and excludes premiums assumed or ceded, decreased 31 percent to $609.6 million in the first nine months of 2006 from $879.8 million in the first nine months of 2005.

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MBIA's global public finance ADP decreased 28 percent in the first nine months of 2006 compared to the same period of 2005. Compared to last year's first three quarters, U.S. public finance production was down 50 percent impacted by a competitive bond insurance environment and the relative lack of large transactions. According to The Bond Buyer, insured volume declined 28 percent in the first nine months of 2006 compared with the same period last year. Non-U.S. public finance production during the first nine months increased 95 percent due to two significant international transactions that closed in the second quarter. In global public finance, 82 percent of insured business written in the first nine months of 2006 had underlying ratings of Single-A or higher.

In the Company's global structured finance business, ADP decreased 33 percent in the first nine months of 2006. Non-U.S. structured finance production for the first nine months declined 38 percent, while U.S. structured finance ADP declined 29 percent compared with the same period of 2005. In global structured finance, 70 percent of insured business written in the first three quarters of 2006 had underlying ratings of Single-A or higher.

For the third quarter of 2006, total ADP declined 10 percent to $210.1 million, compared to $233.2 million during the same period of 2005. In the third quarter, non-U.S. public finance ADP increased significantly over last year's third quarter, as did U.S. structured finance ADP. MBIA insured six non-U.S. public finance transactions totaling $31.6 million of ADP compared to only one deal last year of $3.5 million of ADP. Most of the Company's U.S. structured finance sectors reported higher ADP during the third quarter, which contributed to a 23 percent

increase in ADP. Particularly favorable comparisons came from the CDOs, consumer asset-backed and real estate sectors.

During the first nine months of 2006, scheduled earned premiums decreased 4 percent to $507.0 million from $528.0 million in the same period of 2005. Scheduled earned premiums were impacted by policy terminations of structured finance deals in the trailing three quarters as well as the effect of refunding activity in prior periods, which accelerated the earning of premiums into earlier periods. Earned premiums from refundings were $128.0 million for the first nine months of 2006, up 28 percent from $100.3 million in the first nine months of 2005. MBIA's earned premium from refunded issues was boosted by several international transactions that had significant unearned premium at the time of the refunding.

34. On January 30, 2007, the Company issued a press release entitled "MBIA Inc. Reports 16 Percent Increase in 2006 Net Income Per Share; Operating Earnings Per Share up 5 Percent in 2006." The release stated in part:

MBIA Inc., the holding company for MBIA Insurance Corporation, reported today that net income per share for 2006 increased 16 percent to $5.99, compared with $5.18 in 2005. Net income for 2006 was $819.3 million, up 15 percent compared with $711.0 million for 2005.

The increase was primarily due to a one-time, pre-tax accrual of $75 million made in the third quarter of 2005, or $0.52 per share on an after-tax basis, for the total amount that the Company estimated it will pay in connection with the recently concluded regulatory investigations, as well as a 5 percent increase in operating earnings per share.

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Operating income per share, a non-GAAP measure, which excludes the effects of net realized gains and losses, net gains and losses on derivative instruments and foreign exchange, income and losses from discontinued operations, and the accrual for estimated penalties and disgorgement, rose 5 percent to $5.81 in 2006 compared with $5.55 in 2005. Excluding accelerated earned premiums due to refundings, 2006 operating income per share rose 3 percent to $5.10 from $4.94 in 2005.

Fourth quarter net income per share in 2006 was down 1 percent from 2005, at $1.32 compared with $1.34. Net income for the fourth quarter of 2006 was also down 1 percent from the prior year at $181.0 million, compared with $182.7 million in the same period of 2005.

For the fourth quarter of 2006, operating income per share decreased 4 percent to $1.31 compared with $1.37 in the fourth quarter of 2005. Excluding

accelerated earned premiums due to refundings, fourth quarter operating income per share declined 3 percent to $1.16 in 2006 from $1.19 in the same period of 2005. The decrease was primarily due to lower scheduled premiums earned and accelerated expenses related to the adoption of a new retirement plan and certain long-term incentive compensation awards.

Gary Dunton, MBIA Chief Executive Officer, said, “We achieved acceptable financial and operating results despite a challenging market environment with strong competitive pressures. Business production was robust for the fourth quarter, where we recorded our highest quarterly adjusted direct premium in three years. Additionally, our asset management business had a strong year. We remain committed to pursuing only those business opportunities that meet our strict underwriting and return standards.”

Insurance Operations

Adjusted direct premium (ADP), a non-GAAP measure, which includes both upfront premiums written and the present value of estimated installment premiums for new business written in the period and excludes premiums assumed or ceded, declined 6 percent to $1.03 billion in 2006 from $1.10 billion in 2005. Business production was impacted by tighter credit spreads and increased competition from both the uninsured market and other monolines throughout 2006.

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In 2006, global public finance ADP was approximately the same as 2005. U.S. public finance production decreased 34 percent in 2006, reflecting fewer transactions in the transportation and utility sectors as well as fewer transactions with large ADP. However, transportation and utility transactions in the Latin American and Australian markets helped boost the Company’s non-U.S. public finance ADP, which was up 179 percent. Credit quality for global public finance transactions remained very high, with 84 percent of insured business written rated Single-A or higher in 2006.

Tight credit spreads and investor demand for uninsured transactions continued to impact global structured finance ADP in 2006, which decreased 13 percent versus 2005. U.S. structured finance ADP decreased 6 percent while non-U.S. ADP fell 23 percent compared with last year. Production was negatively affected by the relative lack of transactions with large ADP in 2006 despite strong production from the CDO sector. In 2006, 71 percent of business written in global structured finance was rated Single-A or higher.

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The Company incurred $80.9 million in loss and loss adjustment expenses in 2006, a 4 percent decrease compared to $84.3 million in 2005. Loss and LAE for both periods is based on the Company’s formula of reserving 12 percent of scheduled premiums earned. During 2006, the net effect of MBIA’s formula-based loss

reserving combined with case loss reserve activity resulted in a $4.7 million increase to its unallocated loss reserve, increasing the Company's unallocated loss reserve to $213.3 million at December 31, 2006. Case loss activity in the fourth quarter included $27.9 million of net losses recorded in connection with MBIA's redemption of all of the remaining $117 million in principal of MBIA-insured notes backed by tax liens originated by Capital Asset and its sale and transfer of all of the remaining tax liens and real estate owned and originated by Capital Asset, as well as a partial write-down of expected litigation recoveries established in 1998 from the AHERF bankruptcy estate.

The restructuring of Eurotunnel continues to move forward as the Safeguard Plan (the Plan) was approved by the Paris Commercial Court on January 15, 2007, previously having been agreed upon by its creditors, vendors and employees. Once shareholders tender sufficient shareholdings, a general meeting will be convened to seek approval of the issuance of new shares and to finalize the necessary steps to implement the Plan. MBIA will have additional claim payments until the Plan is implemented. Upon implementation of the Plan, MBIA expects to receive full recovery for all of its claims.

Overall credit quality in the insured portfolio remained high, with 81 percent of the total book of business rated A or better, unchanged from the end of 2005. The percentage of the portfolio rated non-investment grade decreased to 1.9 percent from 2.1 percent in 2005, with about half of the reduction resulting from a decrease in the par amount of non-investment grade rated credits and the other half resulting from the growth of the outstanding book of business.

MBIA's pre-tax operating income from insurance operations, which excludes the effects of net realized gains and losses and net gains and losses on derivative instruments and foreign exchange, increased 2 percent to $1.09 billion in 2006 from $1.07 billion in 2005.

35. On April 26, 2007, the Company issued a press release entitled "MBIA Inc. Reports Net Income of $1.46 Per Share for First Quarter 2007; Operating Income Per Share up 2 Percent." The release stated in part:

MBIA Inc., the holding company for MBIA Insurance Corporation, reported today that first quarter 2007 net income per share was $1.46, the same as in the first quarter of 2006. Net income for the first quarter of 2007 was $198.6 million compared to $199.0 million in the first quarter of 2006.

Operating income per share, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), rose 2 percent to $1.48 in the first quarter of 2007 compared with $1.45 in the first quarter of 2006. Excluding accelerated income from refunded issues, first quarter 2007 operating income per share rose 2 percent to $1.30 from $1.28 in the same period of 2006.

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Gary Dunton, MBIA Chief Executive Officer, said, "We were pleased with solid new business production in our insurance segment during the first quarter. Although narrow spreads continue to challenge the market, the pipeline of deals is encouraging as spreads widen in some sectors. In addition, we strengthened our back book of business through successful remediations, and our investment management business continued its steady growth in assets under management. We remain committed to our rigorous risk management practices with the goal of building shareholder value for the long term."

Insurance Operations

Adjusted direct premium (ADP), a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures) increased 135 percent to $272.9 million in the first quarter of 2007 from $116.0 million in the first quarter of 2006. The increase was due to strong business production in the U.S. and non-U.S. public finance and U.S. structured finance markets.

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Global public finance ADP increased 160 percent in the first quarter of 2007 compared to the first quarter of 2006. Overall, the general obligation, tax-backed and water segments of the market were the strongest contributors to ADP for the quarter. Despite continuing tight credit spreads and intense competition, U.S. public finance production was up 31 percent, with significant ADP generated in the transportation, tax-backed and education sectors. Non-U.S. public finance production was solid in the first quarter of 2007, particularly from utility-related transactions. In two notable first quarter transactions, MBIA insured bonds for Anglian Water Services in the United Kingdom and the Comision Federal de Electricidad (CFE) in Mexico. The transaction for CFE, a government-owned electric company in Mexico, provided financing for the acquisition of a hydroelectric power plant to be built under Mexico's public-private partnership program.

Global structured finance ADP increased 118 percent in the first quarter of 2007. Business production in U.S. structured finance also grew sharply, with significant contributions from CDOs and mortgage-backed securities asset classes. The CDOs included investment grade corporate CDOs, as well as multi-sector transactions. MBIA's insurance policies attached at either Triple-A or super Triple-A ratings for all of the CDOs insured in the quarter. All multi-sector CDO deals had super Triple-A underlying ratings, where MBIA's insurance typically attached at two times the base Triple-A rating. These deals are managed portfolios and the Company's credit analysts review each piece of collateral that is included in the transaction.

While the Company continues to explore opportunities within the subprime mortgage sector, first quarter 2007 subprime mortgage activity was limited to a

modest ($59 million net par) secondary market transaction that was rated Triple-A prior to MBIA's insurance. All of the other mortgage-backed deals insured in the first quarter were either home equity lines of credit or second mortgage transactions for prime borrowers. Three Countrywide home equity securitizations, totaling $3.3 billion of par value, figured prominently among mortgage-backed activity in the quarter. Structured finance ADP in non-U.S. markets was down 50 percent compared to relatively strong production for the first quarter of 2006.

Total premiums earned, which include scheduled premiums earned and refunding premiums earned, in the first quarter of 2007 were up 2 percent to $210.5 million from $205.9 million in the first quarter of 2006. Scheduled premiums earned also increased 2 percent to $170.7 million in the first quarter of 2007 from $167.7 million in the first quarter of 2006. Accelerated premiums earned from refundings were up 4 percent for the quarter at $39.8 million compared with $38.2 million in the first quarter of 2006.

Pre-tax net investment income in the first quarter of 2007, excluding net realized gains, was $146.1 million, reflecting a 5 percent increase from $139.1 million for the same period of 2006. Excluding interest received on Variable Interest Entities (VIEs) and on Northwest Airlines equipment trust certificates, pre-tax net investment income was down 2 percent, primarily due to lower average invested assets resulting from the $500 million special dividend transferred from MBIA Insurance Corporation to MBIA Inc. in December 2006 and the $294 million in payments made in the fourth quarter of 2006 to call two MBIA-insured transactions, a tax lien securitization and a CDO.

MBIA's fees and reimbursements in the first quarter of 2007 were up 24 percent to $10.2 million in the first quarter of 2007 from $8.2 million during the first quarter of 2006. The increase is a result of larger expense reimbursements received in the first quarter of 2007 for the MBIA-insured Eurotunnel transaction compared to those received in the same period a year ago.

Total insurance expenses were up 6 percent in the first quarter of 2007 to $91.4 million from $85.9 million in the first quarter of 2006. The increase primarily resulted from higher interest expense for VIEs and interest expense related to the financing of the referenced Northwest Airlines assets, although operating expenses were 11 percent lower. Gross insurance expenses, which are prior to any expense deferrals, were down 1 percent for the quarter.

The Company incurred $20.5 million in loss and loss adjustment expenses (LAE) in the first quarter of 2007, a 2 percent increase compared to $20.1 million in last year's first quarter. Loss and LAE for both periods are based on the Company's formula of reserving 12 percent of scheduled net premiums earned. During the first quarter of 2007, the net effect of MBIA's formula-based loss reserving and case loss reserve activity resulted in a $13.5 million decrease to its unallocated loss reserve. The Company's unallocated loss reserve was $199.9 million at March 31, 2007.

Net case loss activity for the first quarter totaled $33.7 million. The largest contributors to case loss activity were the Student Finance Corporation (SFC) student loan securitization, which resulted from the previously announced settlement with Royal Indemnity Company (Royal) and a multi-sector CDO. MBIA incurred $19.9 million of case losses in the first quarter as a result of settling with Royal. The loss represents a reduction to MBIA's expected recoveries for claims it had paid to date under its SFC insurance policies. The Company also increased its case loss reserve for a CDO, which has been under remediation for several years. During the first quarter of 2007, the Company reversed its remaining case losses for its Northwest Airlines Enhanced Equipment Trust Certificates exposure as it no longer expects to incur any losses due to additional remediation efforts.

The overall credit quality in the insured portfolio remained high with 82 percent of the total book of business rated A or better compared with 81 percent in the first quarter of 2006. The percentage of the portfolio rated below-investment grade decreased to 1.9 percent from 2.1 percent in the same period-end last year.

MBIA's pre-tax operating income from insurance operations, which excludes the effects of net realized gains and losses, and net gains and losses on financial instruments at fair value and foreign exchange, was up 3 percent at $275.4 million in the first quarter of 2007 compared to $267.3 million in the same period of 2006.

On April 18, 2007, the Financial Accounting Standards Board issued an exposure draft on accounting for financial guarantee insurance contracts, which proposes requirements relating to reserves for claims liability, premium revenue recognition and related disclosures. The exposure draft is subject to a 60-day comment period and may be subsequently modified. Until final guidance is issued and effective, the Company will continue to apply its current accounting practices to its financial guarantee insurance contracts.

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FAS 155 Adoption

The Company adopted Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments" (SFAS 155) on January 1, 2007. In connection with the adoption of SFAS 155, the change in fair value of certain hybrid financial instruments is recorded in the Company's income statement as part of net gains (losses) on financial instruments at fair value and foreign exchange. The adoption of SFAS 155 did not have a material effect on the Company's financial results.

Operating Return On Equity

For the first quarter of 2007, MBIA's operating return on equity, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), was 12.2 percent compared to 12.4 percent for the same period in 2006.

Book Value and Adjusted Book Value

MBIA's book value per share at the end of the first quarter of 2007 was \$53.77, up slightly from \$53.43 at December 31, 2006. Book value increased because of the effect of net income from operations offset by an increase in treasury stock from share repurchases. Adjusted book value (ABV) per share at March 31, 2007 rose 2 percent to \$77.36 from \$75.72 at December 31, 2006. ABV is a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures).

Share Repurchase

During the first quarter of 2007, on a trading date basis, the Company repurchased 4.5 million shares at an average price of \$67.09. Approximately \$700 million remains available under the Company's \$1 billion share buyback program, which was authorized by the Company's board of directors in February 2007.

36. On July 26, 2007, the Company issued a press release entitled "MBIA Inc. Reports First Half Net Income Per Share of \$3.07; Operating Income Per Share up 4 Percent for the Period." The release stated in part:

MBIA Inc., the holding company for MBIA Insurance Corporation, reported today that net income per share for the first half of 2007 was \$3.07, one cent lower than the first half of 2006. In the first half of 2007, net income was \$410.4 million, down 2 percent compared with \$420.4 million in the first half of 2006.

First half 2007 operating income per share, a non-GAAP measure (operating income is defined in the attached Explanation of Non-GAAP Financial Measures), increased 4 percent to \$3.05 from \$2.94 during the same period last year. After tax operating income for the first half of the year was up 1 percent to \$408.1 million from \$402.2 million in the first half of 2006. Excluding accelerated income from refunded issues, operating income per share was \$2.67, up 4 percent in the first half of the year from \$2.57 in the same period of 2006.

For the second quarter of 2007, net income per share was \$1.61, one cent lower than the second quarter of 2006. The comparison was negatively impacted by \$0.04 per share of net losses on financial instruments at fair value and foreign exchange in the second quarter of 2007 versus a net gain of \$0.04 per share in the same period of 2006. Net income for the second quarter of 2007 was \$211.8 million compared with \$221.4 million in the same period last year, a 4 percent decrease.

Operating income per share was \$1.57 for the second quarter of 2007, a 5 percent increase over the same period of 2006, which was \$1.50 per share. After tax operating income for the second quarter of 2007 was up 1 percent to \$206.9 million from \$204.5 million in the second quarter of 2006. Excluding accelerated income

from refunded issues, operating income per share in the second quarter was up 5 percent to $1.36 compared with $1.29 in 2006.

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Gary Dunton, MBIA Chairman and Chief Executive Officer, said, “Market conditions improved in the first half of the year as demand grew for our product and wider credit spreads improved pricing opportunities in certain segments. In addition, the quality of our insured portfolio has improved significantly, as several problem credits have been successfully remediated and our new business has high underlying ratings. We have carefully reviewed our credits backed by residential mortgages and remain comfortable with our exposure to that sector.”

Insurance Operations

For the first half of 2007, Adjusted Direct Premium (ADP), a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), grew 80 percent to $720.3 million from $399.5 million in the first half of 2006. For the second quarter, ADP was $447.4 million, the second highest quarterly ADP in the Company’s history, an increase of 58 percent compared with $283.5 million in the second quarter of 2006.

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For the first half of the year, MBIA’s global public finance production increased 21 percent from the same period in 2006. U.S. public finance was up 23 percent compared to last year’s first half, and non-U.S. public finance was up 18 percent.

For the second quarter of 2007, MBIA’s global public finance ADP was down 17 percent compared with the same period last year. U.S. production was up 18 percent, while non-U.S. production declined 42 percent. The decrease in global production during the second quarter primarily resulted from an unfavorable comparison to last year’s second quarter, which included two international transactions that produced a combined ADP of $101.3 million, as well as reduced production in the transportation sector. The largest ADP transactions included a Public Finance Initiative (PFI) deal for a U.K. hospital, a U.K. electric transmission credit and a wind farm financing in Germany.

MBIA’s global structured finance ADP was up 156 percent for the first half of the year with increases registered in both U.S. and non-U.S. business. U.S. structured finance was up 259 percent over last year’s first half and non-U.S. structured finance was up 49 percent.

Second quarter production for MBIA’s global structured finance was the highest quarterly structured finance ADP production in the Company’s history, rising 181 percent compared to the second quarter of 2006. U.S. structured finance ADP increased 170 percent compared to 2006, and non-U.S. structured finance production

was up 203 percent. Several sectors contributed to the increase in global structured finance production, with particularly strong comparisons resulting from CDOs of commercial mortgage-backed securities and commercial real estate, an intellectual property securitization and investment grade corporate CDOs. The largest contributors to ADP were a franchise asset securitization for Domino's Pizza, a life insurance securitization for Genworth and an aircraft lease securitization.

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The Company incurred $41.5 million in loss and loss adjustment expenses (LAE) in the first half of 2007, a 3 percent increase over the $40.4 million in last year's first half, which reflects the growth in scheduled premiums earned. The Company incurred $21.0 million in loss and LAE in the second quarter of 2007 compared with $20.3 million for the prior year's second quarter. Loss and LAE incurred is based on the Company's formula of reserving 12 percent of scheduled premiums earned. During the second quarter of 2007, the net effect of MBIA's formula-based loss reserving combined with its case loss reserve activity resulted in a $3.4 million increase to its unallocated loss reserve. The Company's unallocated loss reserve was $203.2 million at June 30, 2007.

The overall credit quality of the insured portfolio remained high with 81 percent of the total book of business rated A or better as of June 30, 2007 and 2006. The percentage of the portfolio rated below-investment grade decreased to 1.5 percent as of June 30, 2007 from 2.2 percent as of June 30, 2006.

The biggest reduction in the below-investment-grade rated portion of the insured portfolio resulted from the elimination of MBIA's exposure to Eurotunnel. In June, the Safeguard Plan was implemented and MBIA's $1.6 billion of insured Eurotunnel-related exposure was either retired or effectively defeased. As a result, MBIA no longer has any exposure to Eurotunnel and the Company was fully reimbursed in June and July 2007 for the claims that it had paid on the Eurotunnel financings.

MBIA's pre-tax operating income from insurance operations for the first six months, which excludes the effects of net realized gains and net gains and losses on financial instruments at fair value and foreign exchange, was 2 percent higher at $552.7 million compared to $540.8 million in the same period of 2006. For the second quarter of 2007, pre-tax operating income increased 1 percent to $277.3 million compared to $273.5 million in the second quarter of 2006.

Investment Management Services

For the first half of 2007, pre-tax operating income for Investment Management Services was up 2 percent, from $49.8 million to $50.9 million. For the second quarter of 2007, pre-tax operating income increased modestly to $26.0 million versus $25.9 million in 2006. The growth in income was due to higher assets under management in our asset/liability portfolio and third-party structured products,

partially offset by expenses including a higher allocation of corporate overhead. The average market value of assets under management for the second quarter of 2007, including conduit assets of $4.1 billion, was $66.9 billion, up 23 percent from $54.2 billion for the second quarter of last year.

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Operating Return On Equity

MBIA's operating return on equity, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), was 12.0 percent at June 30, 2007 and 12.4 percent at June 30, 2006.

Book Value and Adjusted Book Value

MBIA's book value per share at the end of the first half of 2007 increased to $53.61 from $53.43 at December 31, 2006. The growth in book value was partially offset by the increase in treasury stock from share repurchases. Adjusted book value (ABV) per share at June 30, 2007 rose 4 percent to $78.83 from $75.72 at December 31, 2006. ABV is a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures).

Share Repurchase

During the second quarter of 2007, on a trading date basis, the Company repurchased 4.5 million shares at an average price of $66.62. Approximately $400 million remains available under the Company's $1 billion share buyback program, which was authorized by the Company's board of directors in February 2007.

Independent Consultant

As previously announced, the Independent Consultant, who was retained by MBIA pursuant to its previously announced settlement with the Securities and Exchange Commission (SEC), the New York Attorney General's Office (NYAG) and the New York State Insurance Department (NYSID), has completed his review. The Independent Consultant was retained to assess MBIA's accounting and disclosures for its investment in Capital Asset Holdings GP, Inc., and for its exposure on notes issued by the US Airways 1998-1 Repackaging Trust. The Independent Consultant has concluded that MBIA's accounting and disclosures concerning these matters were consistent with GAAP and the federal securities laws.

37. On October 25, 2007, the Company issued a press release entitled "MBIA Inc. Reports 39 Percent Decrease in Nine Months Net Income Per Share; Operating Income Per Share Down 2 Percent for the Quarter." The release stated in part:

MBIA Inc., the holding company for MBIA Insurance Corporation, today reported that net income per share for the first nine months of 2007 was $2.84, compared with $4.67 during the same period of 2006. In the first nine months of 2007, net income was $373.8 million, down 41 percent compared with $638.3 million in the same period last year.

The decline was due to a pre-tax net loss of $352.4 million, or $1.80 per share, that the Company recorded in the third quarter on financial instruments at fair value ("marked-to-market") and foreign exchange. The loss was a consequence of wider spreads affecting the valuation of the Company's structured credit derivatives portfolio. Compared with the previous quarter, spreads widened significantly on Commercial Mortgage-Backed Securities (CMBS) collateral and on other asset-backed collateral in the Company's structured credit derivatives portfolio. The Company believes that the "mark-to-market" loss does not reflect material credit impairment.

Operating income per share, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), for the first nine months of 2007 was $4.57 compared with $4.50 in 2006. After-tax operating income for the first nine months of 2007 was down 2 percent to $600.7 million from $614.5 million in the same period of 2006. Excluding accelerated income from refunded issues, operating income per share was $4.09, up 4 percent in the first nine months of the year from $3.94 in the same period of 2006.

For the third quarter of 2007, net loss per share was $0.29 compared with net income per share of $1.59 in the third quarter of 2006. Net loss for the third quarter of 2007 was $36.6 million compared with net income of $217.9 million in the same period last year.

Operating income per share was $1.52 for the third quarter of 2007, compared with $1.55 for the third quarter of 2006. After-tax operating income for the third quarter of 2007 was down 9 percent to $192.6 million from $212.4 million in the third quarter of 2006. Excluding accelerated income from refunded issues, operating income per share in the third quarter increased to $1.43 from the prior year's third quarter at $1.37.

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Gary Dunton, MBIA Chairman and Chief Executive Officer, said, "Spreads widened significantly across the market in the third quarter and caused our insured credit derivatives portfolio to generate a large 'mark-to-market' loss, which ***we do not believe accurately reflects the economics of our business. The 'mark-to-market' loss is not an actual loss, nor is it indicative of future claims. We remain comfortable that our insured credit derivatives portfolio will not result in material credit losses***. More important, wider spreads contributed to a substantially better pricing environment for our insurance and asset/liability management products. From an Adjusted Direct Premium production standpoint, the third quarter was

outstanding – the Company's second best quarter ever and the best quarter for our structured finance business. Pricing was strong across many sectors, and the credit quality of our new business was very high."

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Gains and Losses

In the first nine months of 2007, MBIA recorded net realized gains of $27.3 million for all business operations, compared with net realized gains of $20.5 million in the first nine months of 2006. For the third quarter of 2007, MBIA recorded a net realized loss of $0.3 million compared with a net realized gain of $5.4 million for the third quarter of 2006. The year-over-year change was primarily due to customary activity associated with the management of the Company's investment portfolio.

The Company recorded pre-tax net losses on financial instruments at fair value and foreign exchange of $376.4 million for all business operations in the first nine months of 2007, compared with pre-tax net gains of $10.5 million in the first nine months of 2006. For the third quarter of 2007, pre-tax net losses on financial instruments at fair value and foreign exchange were $352.4 million compared with pre-tax net gains of $1.0 million in the third quarter of 2006.

Most of the third quarter's $352.4 million loss is attributable to MBIA's insured credit derivatives portfolio. When MBIA writes credit protection in the form of a credit default swap, the Company accounts for the transaction under the requirements of FAS 133, "Accounting for Derivative Instruments and Hedging Activities." Under FAS 133, these transactions must be "marked-to-market" and the change in fair value recorded in the Company's income statement. The majority of these credit default swaps provide guarantees for structured finance transactions with underlying collateral of commercial real estate securities (structured CMBS pools) and CDOs backed by various assets including residential mortgage-backed securities (RMBS), other asset-backed securities, corporate bonds and loans. These transactions are usually underwritten at or beyond a Triple-A shadow rating level. With the recent turbulence in the structured finance markets, MBIA's third quarter "mark-to-market" of its structured credit derivatives portfolio resulted in a $342.1 million pre-tax loss. The drivers were significant increases in spreads on CMBS collateral and, to a lesser extent, spread increases on other asset-backed and corporate collateral including RMBS in multi-sector CDOs. The Company believes there has been no material credit deterioration in this portfolio and, therefore, the "mark-to-market" is not a good indication of future claims. These derivative contracts have similar terms and conditions to the Company's insurance contracts, and the Company is not required to post collateral to a counterparty, thereby avoiding the liquidity risks more typical of the standard derivative market. MBIA manages its structured credit derivatives portfolio the way it manages its insurance contracts, including the same monitoring process to detect impairment, and would disclose any credit impairment recorded as part of the "mark-to-market" on these positions. Since MBIA insures these contracts

to scheduled maturity and has experienced no material credit deterioration, it expects that the current negative "mark-to-market" will be reversed over time.

Operating Return On Equity

MBIA's operating return on equity, a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures), was 11.8 percent at September 30, 2007 and 12.6 percent at September 30, 2006.

Book Value and Adjusted Book Value

MBIA's book value per share at the end of the first nine months of 2007 decreased to $52.09 from $53.43 at December 31, 2006, which includes a $1.77 impact from the third quarter's "mark-to-market" result from the Company's structured credit derivatives portfolio. Adjusted book value (ABV) per share at September 30, 2007 rose 6 percent to $80.08 from $75.72 at December 31, 2006. ABV is a non-GAAP measure (which is defined in the attached Explanation of Non-GAAP Financial Measures).

Share Repurchase

During the third quarter of 2007, on a trade date basis, the Company repurchased approximately 1.0 million shares at an average price of $61.23. Approximately $340 million remains available under the Company's $1 billion share buyback program, which was authorized by the Company's board of directors in February 2007.

38. Upon this disclosure on October 25, 2007, MBIA's stock dropped $8.20 per share to close at $46.99 per share, a one-day decline of 15% on volume of 17.3 million shares, several times the average three-month volume.

39. However, notwithstanding this decline, MBIA's stock price continued to be artificially inflated due to defendants' failure to reveal the extent of its exposure to CDOs.

40. On December 5, 2007, Moody's Investors Service made the following statement:

"With regard to MBIA, additional analysis of its direct RMBS portfolio leads Moody's to believe the guarantor is at greater risk of exhibiting a capital shortfall than previously communicated; we now consider this somewhat likely . . . ."

41. On this news, MBIA shares fell 15%.

42. On December 6, 2007, the Company responded to Moody's announcement in a press release entitled "MBIA Responds to Moody's Announcement," which stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, today issued the following statement in response to the announcement issued by Moody's Investors Service on Wednesday, December 5.
>
> "We note Moody's announcement concerning financial guarantors. Contrary to some press reports, Moody's has not taken any rating actions with respect to MBIA. Moody's indicated that, similar to several other monoline insurers, MBIA is somewhat likely to require additional capital. The Company believes that maintaining a strong balance sheet and an adequate capital cushion is prudent. Therefore, the Company has been pursuing capital contingency plans, even in the absence of any immediate rating agency requirements."

43. On December 13, 2007, the Company announced a delay in its investor conference call in a release entitled "MBIA Investor Conference Call Will Not Be Held on Friday, December 14, Due to Pending Rating Agency Reviews." The release stated in part:

> MBIA Inc., the holding company for MBIA Insurance Corporation, today said that in light of the fact that reviews by all three rating agencies are not expected to be completed by Friday, December 14, 2007, the Company has decided not to schedule a conference call on that day.

44. On December 14, 2007, the Company issued a press release entitled "Moody's Affirms Triple-A Rating for MBIA Insurance Corporation and Changes Outlook to Negative Pending Capital Plan Implementation." The release stated in part:

> MBIA Inc. today announced that Moody's has affirmed the Triple-A insurance financial strength ratings for MBIA Insurance Corporation. The Company also announced that Moody's changed its Outlook for MBIA Insurance Corporation to Negative from Stable pending implementation of the commitment to invest $1 billion by Warburg Pincus previously announced and other elements of its total capital management plan.
>
> Gary Dunton, MBIA Chairman and Chief Executive Officer said, "We are pleased with Moody's affirmation of our Triple-A ratings, and we are confident that we will promptly implement the remaining components of the capital plan presented to Moody's and return to Stable Outlook."

45. On December 19, 2007, the Company issued a press release entitled "Standard & Poor's Affirms Triple-A Ratings for MBIA Insurance Corporation and Changes Outlook to

Negative," which also referred to information on the Company's web site showing much larger exposure to risky debt than investors had previously been informed of. The release stated in part:

> MBIA Inc. today announced that Standard & Poor's Ratings Services has affirmed the Triple-A insurance financial strength ratings for MBIA Insurance Corporation. The Company also announced that Standard & Poor's changed its Outlook for MBIA Inc. and MBIA Insurance Corporation to Negative from Stable.
>
> Gary Dunton, MBIA Chairman and Chief Executive Officer said, "We are pleased with Standard & Poor's affirmation of our Triple-A ratings as we continue to make progress towards the implementation of a capital management plan during the first quarter of 2008, including the consummation of the Warburg Pincus commitment to invest up to $1 billion that will further enhance our financial resources. While we recognize there is uncertainty in the mortgage and housing markets, we are confident that we will successfully manage through this challenging period, while growing the business profitably, and return to Stable Outlook."
>
> The Company has supplemented the listing of its exposure to CDOs that include RMBS as of September 30, 2007 to make it consistent with the CDOs that were included in Standard & Poor's analysis and the listing has been posted on its Web site.

46. The referenced information on the Company's web site showed CDO-squared exposure of $30.6 billion.

47. *Forbes* described "MBIA's Startling Exposure Disclosure" as:

> Just when it seemed as if the news couldn't get any worse for bond insurers, it did.
>
> MBIA lost a quarter of its already-diminished value on Thursday after the firm disclosed it had insured $8.1 billion in collateralized debt obligations backed by a combination of other CDOs and mortgages, commonly referred to as "CDO-squared" and seen as among the riskiest part of an investment portfolio.
>
> Making matters worse, $5.1 billion of that insurance was written in 2006 and 2007, a time when the problems with the subprime borrowers went into high gear. The disclosure came as part of an updated list of the Armonk, N.Y.-based company's CDO exposure, which totaled $30.6 billion.
>
> CDOs are securities backed by pools of bonds, loans, and other assets. The pools are divided into various classes that seek to offer differing degrees of risk to investors. But the value of CDOs has been tumbling thanks to rising defaults on U.S. subprime mortgages, many of which were made to noncreditworthy borrowers at the end of an American housing boom. With many banks and brokerage houses having

exposure to CDOs, investors have become petrified of lending money to anybody for fear that a major failure could lead to a chain of defaults.

Traditionally bond insurers did not provide backing for CDOs, which are among the riskiest debt instruments because of their subprime exposure.

The timing of the MBIA announcement, a day after a smaller insurer was downgraded to junk-bond status and essentially removed from the market, could hardly have been worse. "It's surprising," said Piper Jaffray analyst Michael Grasher, "considering others have disclosed their CDO-squared for a couple of months now."

48. This shocking information caused MBIA's stock price to decline to as low as $18.84 per share before closing at $19.95 per share on December 20, 2007, a one-day decline of 26%, on volume of 52.3 million shares.

49. Then, on January 9, 2008, the Company issued a press release entitled "MBIA Announces Comprehensive Plan to Strengthen Capital; Updates Estimates of Fourth Quarter Loss Reserves, Changes to Mark-to-Market Valuations and Provides Information on Related CDO Impairments; Announces Dividend Reduction." The release stated in part:

In conjunction with its plan to strengthen its capital base, MBIA Inc. (the "Company"), the holding company for MBIA Insurance Corporation ("MBIA"), today:

- released details of its comprehensive capital strengthening plan;
- updated information relating to estimated increases to case loss activity on its prime, second-lien mortgage-related exposure and estimated increases to unallocated loss reserves;
- updated information relating to the estimated change in fair value of insured credit derivatives ("mark-to-market") and provided information on impairments of certain insured credit derivatives; and
- announced a reduction in its quarterly shareholder dividend to 13 cents per share from its most recent quarterly shareholder dividend rate of 34 cents per share.

Capital Strengthening Plan: The key elements of MBIA's plan to further strengthen its capital position include:

- The Warburg Pincus investment announced on December 10, 2007. As announced, Warburg Pincus has committed to invest $500 million in common equity at $31 per share and to backstop a $500 million rights offering to the Company's existing shareholders. Warburg Pincus will also receive warrants to purchase additional shares at $40 per share. The Warburg Pincus investment is proceeding according to plan, with the common equity investment currently expected to close in January 2008 and the rights offering expected to close in February 2008. Refer to the Company's Current Report on Form 8-K, filed on December 13, 2007, for a copy of the Warburg Pincus Investment Agreement.

- $1 billion of debt, which is expected to be treated as capital of the insurance company for rating agency purposes.

- The net release of capital that supports amortizing and maturing transactions is expected to amount to $300 million to $500 million in the fourth quarter of 2007.

- The shareholder dividend reduction announced today is expected to preserve approximately $80 million per year.

- The purchase of reinsurance covering a diversified portion of MBIA's portfolio, which is expected to reduce MBIA's capital requirements by $50 million to $150 million, is expected to occur in the near term.

Upon successful completion of its capital management plan, the Company expects to meet or exceed the rating agencies' current capital requirements for MBIA to retain its Triple-A ratings. Based on discussions with the rating agencies and the commentary they have released to the market, the Company believes that the successful implementation of this capital plan will result in a robust capital position that will lead to stable ratings.

Estimate of Incurred Losses: Consistent with its previously released estimates (December 10, 2007), MBIA estimates that it will incur a total of $737 million in loss and loss adjustment expenses for the fourth quarter of 2007. These expenses consist of fourth quarter case loss activity of approximately $614 million and $123 million in unallocated loss reserve activity. The approximately $614 million case loss activity is principally related to MBIA's insured securitizations of prime home equity lines of credit and prime closed-end second-lien mortgages. The estimate of case loss activity reflects MBIA's best estimate of probable and estimable losses. The ultimate amount of such incurred losses might differ from the above estimate.

MBIA's $214 million total unallocated loss reserves at September 30, 2007 will increase with the addition of approximately $23 million, reflecting the regular quarterly addition of 12 percent of scheduled earned premiums, and the special addition of $100 million to reflect MBIA's estimate of losses that are probable to occur as a result of the potential for adverse developments in the real estate market

related to prime, second-lien mortgage exposure, but which have not yet been specifically identified.

Mark-to-Market Estimate (including CDO-squared credit impairment): As previously disclosed, MBIA has observed significant widening of market spreads of collateral underlying certain MBIA-insured CDO tranches in the fourth quarter of 2007. The non-cash pre-tax change in fair value of insured credit derivatives ("mark-to-market"), under generally accepted accounting principles, between September 30, 2007 and December 31, 2007 is estimated to be a loss of $3.3 billion. The non-cash after-tax mark-to-market loss is estimated to be $2.1 billion. These mark-to-market estimates are preliminary and are subject to adjustment, as MBIA is finalizing its evaluation and analysis for the quarter ending December 31, 2007. Of this $3.3 billion mark-to-market loss, approximately $200 million represents estimated credit impairment related to three CDO-squared transactions that MBIA expects to incur actual claims in the future. However, as previously stated, MBIA continues to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of credit impairment, the cumulative marks will net to zero over the remaining life of the insured credit derivatives. The mark-to-market also does not affect rating agency evaluations of MBIA's capital adequacy. The mark-to-market amount disclosed above reflects a refinement to MBIA's valuation modeling techniques that was implemented in the fourth quarter. Specifically, in light of extraordinary widening of the market spreads for the asset-backed security (ABS) portion of the collateral underlying certain insured CDO tranches, for purposes of its valuation model, MBIA revised its approach and treated that ABS collateral as if it were in default.

Change in Dividend: The Company also announced that its Board of Directors has authorized a revised shareholder dividend policy which will reduce quarterly shareholder dividends from $.34 per share to $.13 per share. The dividend reduction is expected to preserve approximately $80 million in capital per year.

MBIA Chairman and CEO Gary C. Dunton said, "We are committed to the successful implementation of this comprehensive plan to significantly strengthen our capital position and secure our Triple-A ratings without qualification. We are confident that the additional capital, together with the steady cash flows generated by our large embedded book of business and the opportunity to grow our business profitably in the current market environment, will enable us to continue to serve the needs of our marketplace, and build long-term value for our shareholders."

MBIA's Chief Financial Officer, C. Edward (Chuck) Chaplin commented, "We believe that the outlined capital plan allows MBIA to meet its obligations, support our customers and continue profitable growth going forward. While the volatility in the mortgage market and non-cash GAAP accounting standards will negatively impact our financial results this quarter, we are quite enthusiastic about future prospects." Speaking to the announced dividend reduction, Mr. Chaplin added, "The announced change in our dividend rate significantly enhances our financial flexibility."

> Commenting on the announced initiatives, David Coulter, Managing Director at Warburg Pincus, stated, "Warburg Pincus is pleased by the announced capital strengthening plan and believes that the plan will further affirm MBIA's position as the leader in the financial guarantee insurance industry. Our investment in MBIA is proceeding according to plan with our equity investment expected to close later this month."

50. On this news, MBIA's stock price to decline to as low as $11.11 per share before closing at $13.40 per share on January 9, 2008, on volume of 32 million shares, a two-day decline of 24%.

51. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company lacked requisite internal controls to ensure that the Company's underwriting standards and its internal rating system for its CDO contracts were adequate, and, as a result, the Company's projections and reported results issued during the Class Period were based upon defective assumptions and/or manipulated facts.

(b) The Company concealed its exposure to CDOs containing subprime debt and concealed some $30.6 billion in CDO exposure.

(c) The Company failed to engage in proper due diligence in writing its financial guarantees for its CDO contracts and as such it failed to detect the improper appraisal practices being engaged in by its originators or issuers.

(d) The Company's financial statements were materially misstated due to its failure to properly account for its mark-to-market losses.

(e) Given the deterioration and the increased volatility in the mortgage market, the Company would be forced to tighten its underwriting standards related to its ABS, which would have a direct material negative impact on its premium production going forward.

(f) The Company had far greater exposure to anticipated losses and defaults related to its CDO contracts containing subprime loans, including even highly rated CDOs, than it had previously disclosed.

(g) The Company had far greater exposure to a potential ratings downgrade from one of the credit ratings agencies than it had previously disclosed.

(h) Defendants' statements about the Company's selective underwriting practices during the 2005-2007 time frame related to its CDOs backed by subprime assets were patently false – the Company's underwriting standards were aggressive and completely inadequate.

52. As a result of defendants' false statements, MBIA's stock price traded at inflated levels during the Class Period, allowing defendants to reap some $27 million in incentive compensation while the stock traded at inflated prices. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 80% from their Class Period and all time high of $73.31 per share in December 2006.

INSIDER TRADING

53. The Individual Defendants' insider trading while MBIA's stock price was artificially inflated due to their false statements was large by any measure:

NAME	DATES OF SALES	SHARES SOLD	PROCEEDS
DUNTON	2/12/07 – 8/8/07	68,775	$4,389,941
BROWN	12/22/06 – 5/3/07	72,530	$5,227,371
TOTAL		**141,305**	**$9,617,312**

LOSS CAUSATION/ECONOMIC LOSS

54. By misrepresenting its financial outlook, the defendants presented a misleading picture of MBIA's business and prospects. Thus, instead of truthfully disclosing during the Class

Period that MBIA's business was not as healthy as represented, defendants falsely reported MBIA's financial outlook and its actual business prospects going forward.

55. These claims of profitability caused and maintained the artificial inflation in MBIA's stock price throughout the Class Period and until the truth was revealed to the market.

56. Defendants' false and misleading statements had the intended effect and caused MBIA stock to trade at artificially inflated levels throughout the Class Period, reaching its all time high of $73.31 per share in December 2006.

57. The truth about MBIA's business operations, finances, business metrics, and future business and financial prospects began to enter the market with a series of partial disclosures and revelations beginning in October 2007 which were accompanied by denials and continuing misrepresentations by defendants. As a result, the artificial inflation in MBIA's stock price did not come out of the stock all at once, rather the artificial price inflation came out over time, in bits, pieces, and spurts as the stock continued to trade at artificially inflated, albeit lower, prices through December 2007.

58. As a direct result of defendants' admissions and the public revelations regarding the truth about MBIA's overstatement of its financial outlook and its actual business prospects going forward, MBIA's stock price plummeted nearly 80%, falling from $65.25 per share on October 15, 2007 to $13.40 per share on January 9, 2008 – a drop of $51.85 per share. This drop removed the inflation from MBIA's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

59. Plaintiff incorporates ¶¶1-58 by reference.

60. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

61. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of MBIA common stock during the Class Period.

62. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for MBIA common stock. Plaintiff and the Class would not have purchased MBIA common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act
Against All Defendants

63. Plaintiff incorporates ¶¶1-62 by reference.

64. The Individual Defendants acted as controlling persons of MBIA within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of MBIA stock, the Individual Defendants had the power and authority to cause MBIA to engage in the

wrongful conduct complained of herein. MBIA controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

65. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired MBIA common stock during the Class Period (the "Class"). Excluded from the Class are defendants.

66. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. MBIA has over 125 million shares of stock outstanding, owned by hundreds if not thousands of persons.

67. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

(b) whether defendants omitted and/or misrepresented material facts;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the price of MBIA's common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

68. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

69. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

70. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

B. Awarding plaintiff and the members of the Class damages, including interest;

C. Awarding plaintiff reasonable costs and attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: February 25, 2008

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CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

TEAMSTERS LOCAL 807 LABOR MANAGEMENT PENSION FUND ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Security	Transaction	Date	Price Per Share

See attached Schedule A.

5. Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below during the three years prior to the date of this Certification:

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery,

except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 22nd day of February, 2008.

TEAMSTERS LOCAL 807 LABOR
MANAGEMENT PENSION FUND

By: Alfred Fernan G

Its: ______________________

SCHEDULE A

SECURITIES TRANSACTIONS

Acquisitions

Date Acquired	Type/Amount of Securities Acquired	Price
08/15/2007	3,616	\$54.07
08/16/2007	585	\$52.56
11/28/2007	3,900	\$31.53

Sales

Date Sold	Type/Amount of Securities Sold	Price
08/29/2007	300	\$56.33
12/19/2007	5,168	\$26.67
12/20/2007	809	\$21.03
12/20/2007	1,823	\$21.03